

STEP 2:

Know your environment

No organization operates in a vacuum. Once you know yourself—and after uncovering your current status in Step 1, you now do—it's time to explore the different aspects of the economic, social, political and philanthropic conditions that surround you in your state, region and local community. Or, as the song from *The Music Man* goes: “You gotta know the territory.” Otherwise, you will not know where to begin, how to begin, or who might drive as you rev up your rural endowment-building engines.

Step 2 will help your foundation team survey your environment, and assess conditions outside your organization's activity range (to date) or direct control that can influence your rural endowment building approach and success. It's divided into three sections:

- **Rural giving and giving potential.** This section will help you go beyond what you have learned from examining your own endowment to realistically and thoroughly explore both the current giving patterns and the less visible wealth patterns throughout your rural community or region. It will add to your sense of exactly what categories of donors might be the best targets for different types of rural endowment.
- **Area competition.** Who else in your area is in the business of raising funds, endowed or not, in your region? Who else provides services to rural donors?
- **Area culture and economy.** Finally, how will key factors in your local culture or the current economic climate influence or affect your approach for developing rural endowment?

Rural giving and giving potential

Outside of your own fundraising and endowment building, what do you know about *who gives what* to rural areas and causes in your region? The involvement and participation of widening and deepening pools of local donors is critical to building and sustaining engines for rural endowments. Great philanthropic resources sometimes also rest in the hands of out-of-state private donors or foundations that for one reason or another share your love for your area or your foundation's passion for particular rural issues.

Rural areas—even within the same region—can differ from one another as much as urban neighborhoods or cities vary from one to the next. Your rural area may be one where many residents give a few dollars and volunteer hours for town projects, like the park playground or the hurricane clean-up. Another rural area may have a strong tradition of annual charity events: the bake sale or the pitchfork fondue for the

Step 2

volunteer fire department. Another may be marked by a culture of mutual aid: the barn raising, corn husking, the quilting bee. And yet another might have very quiet, private and anonymous charitable giving that consistently supports its nonprofit and community development activities. Whatever the nature and culture of *your* rural giving, it will be helpful for your endowment building engine to adapt to it and make the most of it.

The following exercise will help you identify the type and quantity of current giving practices within your rural community or region, by identifying who, where and when *as well as* how much giving happens. In addition, it will help you determine where you might have some untapped giving potential. Once you've done this, patterns will likely appear that will help you better assess rural endowment building targets and approaches and succeed within your region's "giving culture."

EXERCISE 1: RURAL GIVING AND GIVING POTENTIAL

Rural donor targets			Rural giving				Donor's wealth... or rural giving potential		
			Over the last three years, not counting their giving through our community foundation, they actually gave to rural:						
			To what?	When?	How much?	In what form? <i>(cash, non-cash assets, bequests, etc.)</i>	High/medium/low	In what form?	For what rural purpose?
Current full-time rural residents	High-wealth individuals:	_____							
	General public:	_____							
Part-time/former residents	High-wealth individuals/families:	_____							
	Alumni (community/regional):	_____							
Businesses	Locally owned businesses	_____							
	Absentee businesses:	_____							
	Stakeholder businesses:	_____							
Organizations/agencies	Non-government:	_____							
	Government:	_____							
Foundations	Nat'l/regional foundations:	_____							
	Family foundations:	_____							
	Corporate foundations:	_____							

Exercise 1: Giving and giving potential among rural-focused donor groups

Who should (and can) help with this exercise? As you will see from the *Sources* section below, to start with, your own board and staff are always the best and most highly invested sources of information about your endowment-building environment. In addition to these folks, remember that the outside organizations, resources or individuals listed can be a valuable source of information about a range of donor groups as well as various patterns of prior and potential giving. So, keep conversations as open and free-flowing as possible. You never know what you might learn.

What do we do? Convene your team and get going:

- a)** Consider each possible donor target group, and fill in the table on the preceding page to the best of your ability, addressing these five key questions:
1. In each category that is relevant or active, who are the donors in our rural community/region?
 2. To what rural causes or organizations have these donors given? (In this case, consider what they have given to *besides* the community foundation—you've already captured that in Step 1!)
 3. When (or under what circumstances) did they give?
 4. How much (and in what form—cash, grants, endowment) did they give?
 5. And then, based on our gut sense or actual data, what is the giving potential of this (or this type of) donor? What kind of giving might they potentially do in what form?
- b)** Begin by simply jotting down what you know. As you go, note any specific questions you have that might benefit from consulting other sources.
- c)** Set some action steps and a deadline for contacting and getting key additional information from other sources, or by using other tools. (*Please see both the Sources and Special Tools section below for some good leads!*)
- d)** Reconvene and complete the table.
- e)** Discuss what patterns you see and develop some useful conclusions and hypotheses related to building rural developments. Indeed, as you glean answers to these questions, trends in giving and giving potential will appear on this table and offer you a deeper understanding of your endowment-building environment. For example, your contact at the local weekly paper may tell you: "In 1999, The Community Bank gave the lead gift of \$50,000 to the Library's building campaign. Whenever a major community campaign has happened, they have consistently offered the lead cash

gifts.” This one statement helps you understand that you might pitch the bank to offer the lead match in a campaign to build a local area fund.

Sources: Help at hand

As suggested above, your community foundation’s own board and staff are (or should be!) excellent sources of information about possible donors to the foundation. Begin the scan of your environment there. Not only will staff and board members provide good information, they will no doubt point you to other local resources with which you can expand your research. Just in case you need a bit more help, this section provides a quick definition of the major donor groups from whom community foundations typically build endowments. We have offered a few hints for gathering information about giving and giving potential of each donor group. (*See also the **Special Tools** section that follows this one.*)

Current full-time residents. This group is pretty self-explanatory. These folks are the lifeblood of your community and provide year-in, year-out “individual” giving that buys the band new uniforms, adds the new wing on the library and provides the volunteer fire department with *volunteers*. If your rural community is like other rural communities, your resident population includes a small number of high-wealth individuals capable of establishing their own large funds, a larger number of annual givers capable of gifts to pooled funds or to start more modest funds of their own as well as an even larger number of individuals capable of making small gifts, volunteering time and becoming the champions of your foundation’s efforts to build rural endowments. To get a better picture of who is who and when and why they give, ask the following sources:

- Board and staff
- Local media
- Other high-wealth individuals
- Business leaders
- Nonprofit leaders
- Current donors
- Retired attorneys, bankers
- Civic/elected leaders
- Public and government records (legal settlements, land holdings and property values)
- School teachers and administrators

Part-time/former residents. Part-time and former residents are sometimes even more passionate about a rural region than current residents—time and distance seem to place a premium and even romanticize a rural community’s rugged terrain,

neighborliness and star-filled nights. While a bit more difficult to track down, this group might translate their love of the place into excellent giving potential. Part-time residents include second-home owners, seasonal residents (sometimes referred to as “snowbirds” and “sunbirds”). And, then there are the expatriates: Are there any local boys or girls who moved away and “made good? These could be movie stars, corporate bigwigs or other celebrities, as well as lesser-known successes. Local people usually know who they are! Often these individuals may still have connections in their hometown and, if asked, will become donors. To get to know whether you have giving potential among your part-time and former residents, look to these sources:

- Board and staff
- Local media
- Contacts in “first home” community
- Seasonal clubs, social groups
- Tourism experts
- School administrators
- Annual reunion attendance
- Civic/elected leaders
- Real estate agents or attorneys

Businesses. A wide range of businesses and companies may have either an address or significant interests in your rural area. Remember to include really small businesses! If your state government has a “Made in Your State” division of its Department of Commerce (or similar department), information about local manufacturing, including home-based businesses is generally available. Absentee-owned and stakeholder companies include companies with a local distributor or branch in your area, businesses who buy locally produced materials and process them, companies that manufacture tools and equipment that locals use, as well as companies that have moved away but still have local ties. Your best bet is to seek a local contact with the business. For help researching giving by businesses, ask:

- Board and staff
- Current donors
- Civic/elected leaders
- Chambers of Commerce
- Professional associations
- Statewide small business association
- Bank executives
- Local media
- Public and government records (legal settlements, land holdings and property values)
- Department of Commerce or Agriculture

Step 2

Exercise 1

- Government and/or local tourism websites
- University Cooperative Extension
- Local Resource, Conservation and Development Commission (RC&Ds)

Organizations. By organizations, we mean both government funders as well as nonprofit organizations. Working with bureaucracies can be daunting, but many community foundations hold agency endowments for and have forged excellent relationships with large, established nonprofits. Others have successfully tapped into government-controlled resources through competitive grant programs, court settlements or legislative appropriations. As well as being important partners when operating in the rural landscape, this “donor target group” is one that is sometimes overlooked. To learn more about government and nonprofit giving and giving potential, start with these sources:

- Staff and board
- Current grantees or applicants
- Civic/elected leaders
- Statewide or local nonprofit association
- www.guidestar.com (a national on-line resource for information about the operations and finances of nonprofit organizations)
- Local media
- Public and government records (legal settlements, land holdings and property values)
- United Way
- Church leaders and ministers
- Departments of Agriculture, Commerce, Tourism, Transportation, Interior, Community and Economic Development (and so forth)
- University Cooperative Extension
- County or regional Councils of Government (COGs)
- RDP Website: www.aspenccsg.org/rdp (especially the *Talkin' RDP Listserv* and *Archive*)
- RDP Resource Guide: <http://www.aspenccsg.org/rdp/documents/brl-resourceguide.pdf>

Foundations. These include national, regional and local family and private foundations as well as corporate foundations, all of which provide grants, research and advice. You may find foundations with a specific interest in your area or that share an interest in specific rural issues or population groups. Remember, an individual contact within a foundation is always a major plus! Information on foundations is available through the following sources:

- Staff and board
- Local media

- Civic/elected leaders
- Your statewide or local nonprofit association
- Your regional association of grantmakers (RAGs)
- Council on Foundations (www.cof.org)
- Independent Sector (<http://www.independentsector.org>)
- www.guidestar.com (a national on-line resource for information about the operations and finances of nonprofit organizations)
- RDP listserv and website (www.aspeninc.org/rdp)
- Rural Funders Working Group (www.nfg.org/rural/index.htm)
- National Rural Funders Collaborative (www.nrfc.org)
- The Foundation Center (<http://fdncenter.org>)

Special tools: Help with identifying the less obvious

Wealth (which we also call *Giving Potential*) includes not only prior charitable giving, but also general information regarding income levels, home ownership, other land and non-cash assets, investments, established endowments (among nonprofits and foundations). Particularly in rural communities, much of this wealth may not be readily apparent (*rural people tend to prize privacy above all else*) or available right away (*we've all heard the expression, "land-rich, cash-poor"*). Consequently, you may need special tools or sources to unearth this potential. Here are four ideas.

Gatekeepers to rural wealth. An extremely important resource as you unearth the wealth of rural areas will be the attorneys, financial advisers, accountants, bankers and other influential individuals in the community who provide professional services and advice on matters related to wealth, asset management and estate planning. (That means that you may be able to use the exercise above to assemble information about wealth and assets even when there's been no *known* history of prior giving.) In general a rural gatekeeper is any person who stands between a person of wealth and those seeking access to that wealth. Here's a list of ways to find some rural gatekeepers:

- Professional advisors with local knowledge: lawyers, accountants, bankers, real estate brokers, undertakers, financial advisors
- State CPA societies, bar associations, banking associations, estate planning councils (Keep in mind that rural residents may use advisors in the closest big city.)
- Public records, tax records and government websites

There are many ways you can establish relationships with gatekeepers, from one-on-one visitation, to speaking at their professional meetings, to providing planned giving

training (and offering continuing education credits) to lawyers, accountants or other financial advisor professionals.

Donor surveys. Many community foundations find that the only way they can ascertain the interests and preferences of current or potential donors is to survey them.

- Some foundations do this informally, using local talent to meet with or call a short list of foundation-friendly donors in specific target categories to develop a profile.
- Other foundations consistently include and record a standard set of donor-information questions (and answers) during any donor contact, and analyze trends over time.
- Still others contract with a firm to do a random survey of donors in the region. This is the most expensive but potentially the most data-rich and least-biased source of information on *Rural Giving Potential*. Community foundations are often willing to share the formats of their donor surveys—for a sample, ask your colleagues through any community foundation listserv you have joined.

The Philanthropy Index. New efforts are underway to help rural or low-income communities identify and realize their philanthropic potential. Lead among them is *The Philanthropy Index for Small Towns and Rural Areas*, of the Southern Philanthropy Consortium (SPC), a partnership between the Southern Rural Development Initiative, the Southeastern Council of Foundations and the Mid South Collaborative to Build Philanthropy, formed in early 1999 as a multi-year initiative to dramatically increase philanthropic support for southern rural and underserved communities. In 2002, the Consortium released *The Philanthropy Index for Small Towns and Rural Areas of the South: How to Measure Your Community's Potential to Build a Charitable Fund*, a tool that can help grassroots leaders in small towns and rural areas measure the potential of building their own philanthropic resources (www.secf.org/SpecialProjects_sophil.asp). In addition, community foundations in southern states can order a data report on twelve wealth and giving indicators for counties in their region, which will significantly undergird the *Index* process.

Transfer of wealth analysis. The Nebraska Community Foundation has been a leader in adapting a national intergenerational transfer of wealth data and analysis to the state, projecting how soon and how much wealth will transfer in each Nebraska county over the next 50 years. They are using this analysis to create a compelling case for capturing that wealth in rural area funds and putting it to work in Nebraska “before it is too late.” (See Nebraska Community Foundation website: www.nebcommfound.org.)

Area competition

Who else is in the endowment building or fundraising business in your area? While nonprofit and community-building organizations often are hesitant to discuss “competition” as such, most fundraisers understand the necessity of scanning the environment for other fundraising efforts before launching their own.

Apart from occasions when the community foundation kicks off a campaign-like effort to build an area or issue-oriented fund, direct local competition with nonprofit campaigns is not very common. Direct competition with other rural endowment-builders is also relatively rare. Colleges, universities and churches are the most likely organizations to launch endowment campaigns in rural areas; when they do so, they can be stiff competition. When another community foundation's service area overlaps or a for-profit gift fund operates in your region, knowing as much as you can about their work can help you determine the best ways to build and position your own rural endowment engine. By developing collaborative agreements based on what's best for the donor and community or distinguishing *your* service niche or position (*see Step 3 of this Framework*), your community foundation can succeed in a landscape where donors have increasing options.

While direct competition is uncommon, community foundations are wise to consider other fundraising efforts at work within their community for a number of reasons. First, and obviously, there are limited resources—particularly in less populated, rural communities. Second, and just as significant, no community foundation intent on strengthening its region or community seeks to compete with or hinder another organization's efforts to achieve financial stability. The last thing any community foundation wants is for one of its primary constituents, say the local Opera House, to blame the foundation for the Opera House's failure to meet its capital campaign goals—particularly if a portion of those funds will end up being endowed and placed with the community foundation. Community foundations should be prepared to make a compelling case for the unique type of fundraising it performs on an on-going basis. For the purposes of this framework, we express this distinction with the following sentence: **Community foundations are engines for building rural endowments.** That is, like that battery-selling bunny, they just keep going and going and growing and going.....

Unlike most nonprofit organizations, community foundations are less often in the business of conducting large-scale, one- to two-year capital campaigns or even annual operating campaigns. Instead, community foundations *continually* and *systematically* engage donors and other institutions in increasing the philanthropic wealth of the entire rural community or region. Apart from the administrative fees it collects, the resources

gathered by a community foundation return to the community both in annual grants (giving) and as permanently endowed assets (wealth). A community foundation's success at describing and achieving this goal of creating permanent community wealth as well as, in most cases, its lack of "direct service" work can help prove it is not threatening the health or wealth of its fellow nonprofits.

Indeed, do any of the local non-profits have or aspire to have an agency endowment? These organizations can be important *partners* when they understand the benefits you offer. One cog in many community foundations' endowment-building engines is the technical assistance they provide to help nonprofits build agency endowments. National initiatives like the Kresge Challenge (*See www.kresge.org/programs/index.htm*) can help community foundations forge these partnerships by offering matching or challenge grants to nonprofits to get them started.

Whether or not a nonprofit's agency endowment ends up being managed and invested by the community foundation (often, and in the case of the Kresge Challenge, they do), the foundation has nevertheless gone a long way in building trusting relationships with its area nonprofits—and their boards.

The notes you have already jotted down pertaining to prior giving earlier in this Step can help clarify a picture of the types of fundraising and endowment building being performed in your community by other institutions. What have donors given over the last several years—these are the organizations that will share your endowment-building landscape. How you decide to compete, collaborate or partner with them will ultimately be up to your community foundation and its endowment-building strategy. But be aware of them before you set any rural endowment-building goals!

Area culture and economy

State of the economy. The relative health of local, state and global economies can be some of the most essential data you gather as you plan your rural endowment-building strategy. Clearly, the state of the economy at every level will influence available resources from every donor target group—from government to foundations to business to the high wealth individual.

In recent years, we've all learned the challenges of raising endowment when the stock market is in decline. Not only do individuals experience a drop in their net worth, the community foundation itself may need to explain its declining overall assets to current and potential donors, and more vigorously defend its investment policies. Further, as economies constrict, the annual operating budgets of direct-service nonprofits will

become increasingly unstable, creating more demand for your foundation's grantmaking dollars.

The best—and perhaps only—defense against a pervasive sense of economic travail is a firm and realistic grasp on the facts. Seek out the following resources to scan the state of your economies:

- Your own investment managers and investment committee
- Local bankers
- State government agency data websites
- State and local chambers of commerce
- Your state's AFL-CIO
- Local media
- Civic/elected leaders
- Business leaders
- Census data (*See www.census.gov*)

Do not become discouraged by dire news about the downturn in state and local economies. Hard times often galvanize individuals, groups and communities who have not been active participants. Rural people are used to responding to “emergencies” and are extremely generous in raising funds to meet these emergencies. If convinced that rural community endowment building can truly help them build a stronger future, the inherent resourcefulness, resiliency and generosity of rural communities can be put to excellent use. Philanthropy, better solutions and creative partnerships are often the result of unfortunate circumstances—especially in rural areas. Remember, “Necessity is the mother of invention.” Perhaps it can also “parent” endowment!

So, examine the specifics of your own local and state economies. Even in times of national decline, your own region's economic status or industrial base may be holding up quite well or may be trending upward. Alternatively, even in times of national growth, rural regions are often last to feel it. Staff and board members who meet with donors should have an understanding where your state and community ranks along major economic indicators, in terms of income, jobs, wages, housing, declining industries, growth industries, and so on. Discuss the ways the community foundation *as an institution* and specifically through grantmaking and other programs can help the region weather this and future economic conditions. Staff and board should also exhibit an extremely thorough understanding of the community foundation's investment policies, strategies and recent gains or losses.

The community's character and culture. Though less scientific, this information is no less valuable than economic statistics and investment performance when designing an

endowment-building strategy. When working with donors and building rural endowments, community foundations should celebrate and build upon the best in a community's character and culture. To do that, have your team address this range of questions:

- What are the general qualities of your rural community and population?
- Who are the official and unofficial leaders in this community?
- What are the most compelling issues facing your rural community?
- Is your rural population being forced to leave the area due to lack of jobs?
- Are wealthy “out-of-staters” or retirees the fastest growing segment of the community?
- Is your rural area a major tourist spot—drawing both vacationers and second-home owners at peak times or throughout the year?
- Is there an unspoken but ever-present divide between old-timers and newcomers? Have's and have not's? This county and its neighboring county? High school rival districts?
- Do some feel that the community's culture and way of life are being threatened?
- What would people describe as the best and worst aspects of life in their rural community?
- Would you describe your community as healthy or unhealthy? (*See the RDP Learning Network's Building Rural Livelihood: A Thinking and Action Framework, page 11.*)

Staff and board members often lend the greatest, most candid insight into a community's character and culture. When launching efforts in a new and unknown rural community, however, your own staff and board will not be good sources. It will be absolutely necessary to take some time to get to know the area. The following sources can be useful, but remember, discovering the culture and character of a community is a subjective journey. Never rely on one individual's perception; rather, spend the time meeting people, developing relationships, gaining credibility and paying attention. This might prove to be your *most valuable* investment of time and resources.

- Real estate brokers and agents
- Civic/elected leaders
- Civic and social groups
- Senior groups
- Local nonprofit associations
- Business leaders
- Church leaders
- School teachers and administrators
- Healthcare providers
- Local chambers of commerce
- Local economic development councils
- Labor unions